

CITIZENS MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
MARCH 31, 2011, 2010, AND 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 05 2011

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

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**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Caldwell Parish, State of Louisiana d/b/a Citizens Medical Center (the "Medical Center") provides background information and management's analysis of the Medical Center's financial performance for the fiscal years that ended March 31, 2011, 2010, and 2009. Please read it in conjunction with the financial statements beginning on page 3 and notes to the financial statements beginning on page 7 in this report.

Financial Highlights

- ❖ The Medical Center's total assets increased by \$178,000, \$1,084,000, \$1,765,000 and \$917,000, during fiscal years (FY) 2011, 2010, 2009, and 2008, respectively. The cash purchase of a new computer system and growth in accounts receivable were the major changes during FY 2011 to effect an overall increase of \$178,000.
- ❖ In fiscal years 2011, 2010, 2009, and 2008, \$200,000, \$350,000, \$675,000, and \$800,000, respectively, was invested in certificates of deposit.
- ❖ An increase in gross patient revenue of \$300,000 was offset with an increase in allowances and discounts of \$735,000 and a decrease of UCC of \$300,000, for a net decrease in net patient revenue of \$737,000. Problems encountered during the conversion to a new computer system slowed billing and collections to a standstill causing untimely billing to occur and increasing the allowances to account for older unpaid claims. The "new" DSH audit method of calculating UCC effective July 1, 2010 has contributed to the decrease of UCC revenue with a portion of the calculated amount not being paid during FY 2011. During fiscal year 2010 there was an increase in net patient revenue of \$138,000. However, the Medical Center did have a decrease in inpatient days which was offset with increased outpatient and Rural Health Clinic volume increases. During fiscal year 2009, the Medical Center's net patient service revenue increased \$2,660,000 from fiscal year 2008. During fiscal year 2008 net patient service revenue decreased \$173,000.
- ❖ The Medical Center's total expenses increased by \$597,000, \$656,000 and \$1,762,000 for fiscal years 2011, 2010, and 2009, respectively, due mainly to increases in salaries, payroll taxes, employee benefits, and depreciation.
- ❖ In fiscal year 2011 expenses other than salaries and benefits remained near prior year levels. Depreciation has increased by \$144,000 due mainly to equipment depreciation expense. FY 2010 expenses remained relatively level except for necessary increases in salaries and benefits. At the beginning of fiscal year 2009 the governing board approved a 5% cost of living increase hospital wide and other adjustments were made to retain employees. The Medical Center's total expenses increased by \$549,000 for fiscal year 2008 due mainly to increases in salaries. Fiscal year 2009 was the first full year of retirement expense for the Medical Center and the expense increased by \$121,000.
- ❖ A small increase in professional fees of \$40,000 with an increase in other expenses of \$98,000 was seen in fiscal year 2011 due to a slight increase in patient volume. Supplies and drugs decreased by \$78,000 in fiscal year 2010 due to decreased inpatient volume. They increased by \$276,000 in fiscal year 2009 due to increased patient census at both the hospital and rural health clinic. Professional fees increased \$121,000 and \$204,000 in fiscal years 2010 and 2009, respectively. The Medical Center began providing mobile MRI services in January 2009 and lab medical purchased services increased due to the increase in volume for inpatient and outpatient testing.
- ❖ A fiscal year 2011 loss from operations of \$262,000 was mitigated by interest income of \$147,000 and grant income of \$20,000 for a net loss of \$105,000. Increases in expenses and a decrease in net patient service revenue contributed to the operating loss of \$262,000. The Medical Center experienced a gain from operations of \$1,354,000 in fiscal year 2010 compared to gain from operations of \$1,428,000 in fiscal year 2009 and a gain of \$768,000 in fiscal year 2008. During fiscal year 2009 grant income received was \$103,500 of which \$95,000 was for the clinic expansion which was completed during the year.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Financial Highlights (continued)

- ❖ Sales tax revenue decreased by \$235,000 mainly due to onetime pipeline taxes received in FY 2010. In fiscal year 2010 sales tax revenue increased by \$419,000 due to increased activity in the parish and a onetime receipt of pipeline sales taxes. Sales tax revenue decreased by \$93,000 in fiscal year 2009 and by \$97,000 in fiscal year 2008 due to a decrease in spending in the parish by consumers. Highway construction took place throughout Caldwell Parish in 2006, 2007, and 2008. Construction was completed in fiscal year 2009 and some local businesses shut down due to the overall decline in the nation's economy.
- ❖ During fiscal year 2009 the Medical Center entered into a capital lease for a lab analyzer. No new leases were entered into in fiscal years 2011, 2010, or 2008. Capital leases are referenced in Note 8 of the financial statements.

Required Financial Statements

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Medical Center's financial activities on both short-term and long-term basis. The balance sheets present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in net assets present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Medical Center's patient service revenue and other revenue sources were sufficient to allow the Medical Center to recover all of its costs. The final required financial statement is the statement of cash flows which provides information about the Medical Center's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and changes in them. Increases or decreases in the Medical Center's net assets are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Net Assets

A summary of the Medical Center's Balance Sheets are presented in the table below:

**TABLE 1
Condensed Balance Sheets
(In thousands)**

	March 31,			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Total current assets	\$ 9,830	\$ 9,843	\$ 8,222	\$ 5,954
Capital assets - net	3,806	3,469	3,492	3,342
Other assets, including assets whose use is limited	<u>1,074</u>	<u>1,220</u>	<u>1,734</u>	<u>2,387</u>
Total Assets	\$ <u>14,710</u>	\$ <u>14,532</u>	\$ <u>13,448</u>	\$ <u>11,683</u>
Total current liabilities	\$ 1,371	\$ 1,042	\$ 1,355	\$ 1,356
Long-term debt	<u>61</u>	<u>106</u>	<u>246</u>	<u>218</u>
Total Liabilities	<u>1,432</u>	<u>1,148</u>	<u>1,601</u>	<u>1,574</u>
Invested in capital assets, net of related debt	3,702	3,226	3,093	3,012
Restricted net assets	65	65	65	65
Unrestricted net assets	<u>9,511</u>	<u>10,093</u>	<u>8,689</u>	<u>7,032</u>
Total Liabilities and Net Assets	\$ <u>14,710</u>	\$ <u>14,532</u>	\$ <u>13,448</u>	\$ <u>11,683</u>

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Assets

The following table represents the Medical Center's revenue, expenses, and changes in net assets for the fiscal years ended March 31:

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(In thousands)

	March 31,			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net patient service revenue	\$ 9,268	\$ 10,005	\$ 9,867	\$ 7,207
Other revenue, net	<u>1,164</u>	<u>1,446</u>	<u>1,002</u>	<u>1,240</u>
Total Operating Revenue	<u>10,432</u>	<u>11,451</u>	<u>10,869</u>	<u>8,447</u>
Salaries and benefits	6,084	5,789	5,291	4,144
Other expenses	3,947	3,789	3,702	3,091
Depreciation and amortization	<u>663</u>	<u>519</u>	<u>448</u>	<u>444</u>
Total Operating Expenses	<u>10,694</u>	<u>10,097</u>	<u>9,441</u>	<u>7,679</u>
Operating income (loss)	(262)	1,354	1,428	768
Nonoperating income	<u>137</u>	<u>173</u>	<u>215</u>	<u>177</u>
Excess of revenue over expenses	(125)	1,527	1,643	945
Capital grants	20	9	95	-0-
Net assets - beginning of year	<u>13,383</u>	<u>11,847</u>	<u>10,109</u>	<u>9,164</u>
Net Assets - End of Year	<u>\$ 13,278</u>	<u>\$ 13,383</u>	<u>\$ 11,847</u>	<u>\$ 10,109</u>

Sources of Revenue

Net Patient Service Revenue

Patient service revenue includes revenue from the Medicare and Medicaid programs (approximately 2/3's) and other third party payor patients who receive care in the Medical Center's facilities. Reimbursement for the Medicare and Medicaid programs and other third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Contractual allowances and discounts increased in fiscal year 2011 due to slowing of billing and collections process by conversion to the new computer system causing a corresponding decrease in net patient service revenue. Net patient service revenue decreases by \$737,000 or 7%. During fiscal year 2010, net patient

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
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Management's Discussion and Analysis

Net Patient Service Revenue (Continued)

service revenue increased slightly by \$138,000 or 1%. Total net patient service revenue increased by \$2,660,000 or 37% in fiscal year 2009 due to an increase in days of patient care and patient visits at the rural health clinic. In fiscal year 2008, net patient service revenue decreased by approximately \$173,000 or 2.3%.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31:

**TABLE 3
Payor Mix by Percentage**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Medicare	47%	38%	45%	53%
Medicaid	21%	25%	24%	18%
Commercial insurance	28%	27%	23%	22%
Self-pay	4%	10%	8%	7%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue (Table 4) includes cafeteria sales, rental income, grant income, and other miscellaneous services. Fiscal year 2011 saw a decrease in sales tax revenue due to receiving in prior year 2010 a onetime pipeline sales tax payment. Sales tax revenue increased in 2010 in comparison to decreases over the past two fiscal years due to the overall economy of the area and decreased spending.

**TABLE 4
Other Revenue
(in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cafeteria sales	\$ 18	\$ 24	\$ 27	\$ 29
Rentals	9	9	8	17
Sales tax	1,115	1,350	931	1,024
Non capital grants	-0-	8	9	142
Miscellaneous	22	55	28	28
Total	<u>\$ 1,164</u>	<u>\$ 1,446</u>	<u>\$ 1,003</u>	<u>\$ 1,240</u>

Grant Income

Grant income consists of grant monies received for upgrading communications, medical equipment, etc. Grant income is separated into capital and non capital grants. Non capital grants are used for operating expenses, such as training for HIPPA requirements. Capital grants are used for purchases of capital assets.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Miscellaneous Income

Miscellaneous income consists primarily of amounts received from processing Medicaid applications, clinic HPSA/PCP payments, group purchasing rebates, and claims settlements. The Caldwell Parish Police Jury presented the Medical Center with \$17,000 in residuals from the bond fund which is included in the 2010 balance.

Investment Income

The Medical Center earned \$147,000, \$196,000, and \$242,000 in interest income in fiscal years 2011, 2010, and 2009, respectively. Interest rates on certificate of deposits declined in FY 2011 and FY 2010. The prior year increases are attributable to an additional \$675,000 invested in a certificate of deposit in fiscal year 2009.

Operating and Financial Performance

Patient Revenue

Table 5 below depicts Medicare and Medicaid patient revenue for the fiscal years ended March 31:

**TABLE 5
Patient Revenue
(in thousands)**

	Years ended March 31			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Medicare and Medicaid gross patient charges	\$ 11,024	\$ 10,587	\$ 11,822	\$ 9,230
Contractual adjustments	<u>4,666</u>	<u>3,487</u>	<u>4,819</u>	<u>4,618</u>
Net Medicare and Medicaid revenue without Medicaid UCC	\$ <u>6,358</u>	\$ <u>7,100</u>	\$ <u>7,003</u>	\$ <u>4,612</u>
Percent of total gross charges	<u>64%</u>	<u>63%</u>	<u>70%</u>	<u>68%</u>
Percent of total net revenue	<u>69%</u>	<u>71%</u>	<u>71%</u>	<u>64%</u>

An increase in gross Medicare and Medicaid patient charges was offset by an increase in contractual adjustments leading to a net decrease. The increase in adjustments was made because of potential collection issues tied to billing delays related to the conversion to a new computer system. Problems encountered in the conversion process caused billing and collection of claims to be at a standstill for weeks during FY 2011. The problems were corrected after year end. The main source of revenue for the Medical Center, gross Medicare and Medicaid patient charges declined slightly in fiscal year 2010 by \$1,235,000 or 11% compared to the increase of \$2,600,000 or approximately 28% in fiscal year 2009. In fiscal year 2008 there was a decrease of \$92,000 or around 1%. Medicare and Medicaid contractual adjustments for fiscal year 2010 decreased \$1,332,000 compared to fiscal year 2009 when they increased \$201,000 and fiscal year 2008's increase of \$240,000.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Medicare and Medicaid Patient Statistics

Table 6 is a comparison of the Medical Center's Medicare and Medicaid discharges, patient days, and lengths of stay for the fiscal years ended March 31:

**TABLE 6
Medicare and Medicaid Patient Statistics**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Discharges:				
Adult and pediatric	607	630	699	601
Medicare (included in A & P)	356	346	423	365
Medicaid (included in A & P)	102	114	130	102
Medicare swing bed	6	5	6	4
Patient days:				
Adult and pediatric	2,878	2,709	3,383	2,920
Medicare (included in A & P)	1,963	1,829	2,511	2,185
Medicaid (included in A & P)	299	296	393	251
Swing bed	85	72	179	75
Medicare average length of stay	<u>5.51</u>	<u>5.29</u>	<u>5.94</u>	<u>5.99</u>
Medicaid average length of stay	<u>2.93</u>	<u>2.60</u>	<u>3.02</u>	<u>2.46</u>

Medicare and Medicaid patients increased in fiscal year 2011, decreased in fiscal year 2010, and increased in fiscal year 2009. The Medical Center had experienced decreases in fiscal year 2008. Swing bed discharges for fiscal year 2011 increased slightly from 2010.

Expenses

Continuing a trend salaries and benefits increased by \$295,000 in fiscal year 2011. In fiscal year 2010 salaries and benefits increased by \$498,000. A competitive labor market drives up these expenses. Salaries and benefits for fiscal year 2009 increased by \$1,147,000 for fiscal year 2009. One new physician and nurse practitioner began working at the clinic and increases have been given to retain employees and remain competitive with the market as well as a 5% cost of living raise which was given to all employees at the beginning of the fiscal year 2009. Salaries and benefits increased by \$378,000 for fiscal year 2008.

Health insurance costs increased by \$140,000, \$68,000, and \$21,000 for fiscal years 2011, 2010, and 2009, respectively. Large claims for seriously ill employees drove up these costs which were only partially mitigated by reinsurance coverage. Fiscal year 2009 was the first full year of retirement plan expenses as compared to fiscal year 2008 which only had three months worth of expense.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Expenses (Continued)

While the Medical Center continues to evaluate expenses and eliminate unnecessary costs, total expenses have increased in fiscal year 2011 due to rising costs of salaries and services in general. Professional fees increased by \$40,000 while all other expenses (including salaries & benefits) increased \$557,000 compared to an increase of all expenses of \$655,000 in fiscal year 2010. Other expenses, including utilities and telephone, increased by \$98,000; this is consistent with normal increases due to cost of living and the economy. Supplies and drugs decreased by \$78,000 in fiscal year 2010. They increased by \$276,000 for fiscal year 2009 while the same expenses decreased \$24,000 in fiscal year 2008.

Accounts Receivable

Table 7 below summarizes Accounts Receivable for the fiscal years ended March 31:

**TABLE 7
Accounts Receivable
(in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Patient accounts receivable	\$ 3,756	\$ 5,955	\$ 10,656	\$ 8,955
Other accounts receivable	147	30	89	44
Allowance for uncollectibles	<u>(1,389)</u>	<u>(4,176)</u>	<u>(8,263)</u>	<u>(7,110)</u>
Net accounts receivable	<u>\$ 2,514</u>	<u>\$ 1,809</u>	<u>\$ 2,482</u>	<u>\$ 1,889</u>

The Medical Center continues to work "old" accounts by sending them to collection agencies. If they are deemed uncollectible, accounts are written off consistent with the bad debt policy. Self pay gross receivables (the financial class of the majority of the "old" accounts) have continued to decrease as these accounts are worked. The Medical Center wrote off a large number of patient accounts that were over a year old and were not being worked by the collection agencies during fiscal year 2010 to prepare for the conversion to a new computer system. Patient accounts receivable increased in fiscal year 2009 due to increased inpatient and outpatient volume and in 2008 as patients were slower to pay their accounts.

Other accounts receivable in 2011 include \$129,000 for reinsurance of self insured employee health insurance claims.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Capital Assets

The purchase of a new computer system with the related infrastructure work done during fiscal year 2011 contributed to the increase in 2011 capital assets. Also, new hospital signs were purchased for \$58,000. Construction in Progress increased to \$823,000 from a beginning balance of \$68,000 during the computer conversion project. Of this amount, \$759,000 was put in service during fiscal year 2011 leaving a balance of \$132,000 at year end. The Medical Center is committed to Healthland, Inc. for the remaining portion of the purchase price of the new computer system in the amount of \$193,000, due June 2011. During 2009 fiscal year, the Medical Center added \$507,151 in buildings and equipment. The large items were hospital beds, a laparoscopic system and an ultrasound.

Table 8 below summarizes Capital Assets for the fiscal years ended March 31:

**TABLE 8
Capital Assets
(in thousands)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Building & land	\$ 96	\$ 44	\$ 229	\$ 874
Equipment	<u>842</u>	<u>463</u>	<u>369</u>	<u>520</u>
 Total capital additions	 <u>\$ 938</u>	 <u>\$ 507</u>	 <u>\$ 598</u>	 <u>\$ 1,394</u>

Long-term Debt

The Medical Center did not acquire any long-term debt in fiscal year 2011, 2010 or 2008. A \$206,000 capital lease was entered into in 2009 to acquire a lab analyzer. At March 31, 2011 and 2010 long-term debt was \$103,000 and \$243,000 consisting of various capital leases. The largest leases are for the CAT scan equipment, PACS, and the lab analyzer.

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Medical Center's Administration.



LESTER, MILLER & WELLS

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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Caldwell (the Hospital), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2011, 2010, and 2009, as listed in the foregoing table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Caldwell, as of March 31, 2011, 2010, and 2009, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2011, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements.

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana
Page Two

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages i through ix be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lester, Miller & Wells
Certified Public Accountants

Alexandria, Louisiana
September 21, 2011



HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
BALANCE SHEETS
MARCH 31,

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current			
Cash and cash equivalents (Notes 2 & 3)	\$ 638,469	\$ 1,628,100	\$ 852,544
Short-term investments	5,566,525	5,350,581	4,361,489
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,514,483	1,809,716	2,481,124
Estimated third-party payor settlements	636,126	566,221	84,871
Inventory	313,294	349,515	309,516
Prepays	<u>160,831</u>	<u>138,483</u>	<u>132,242</u>
Total Current Assets	<u>9,829,728</u>	<u>9,842,616</u>	<u>8,221,786</u>
Assets limited as to use (Note 6)	65,123	65,123	65,124
Capital assets, net (Note 5)	3,805,691	3,469,272	3,491,839
Long-term investments	891,199	974,250	1,430,162
Notes receivable	<u>118,410</u>	<u>181,065</u>	<u>239,316</u>
Total Assets	<u>\$ 14,710,151</u>	<u>\$ 14,532,326</u>	<u>\$ 13,448,227</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current			
Accounts payable	\$ 598,496	\$ 203,032	\$ 212,459
Accrued expenses	619,385	512,422	450,192
Deferred revenue	84,690	157,896	164,882
Estimated third-party payor settlements	25,992	32,000	374,578
Current portion of lease obligations and long-term debt (Note 8)	<u>42,561</u>	<u>136,746</u>	<u>152,399</u>
Total Current Liabilities	<u>1,371,124</u>	<u>1,042,096</u>	<u>1,354,510</u>
Long-term			
Capital lease obligations and notes payable (Note 8)	<u>60,576</u>	<u>106,578</u>	<u>246,578</u>
Total Liabilities	<u>1,431,700</u>	<u>1,148,674</u>	<u>1,601,088</u>
Net Assets			
Invested in capital assets, net of related debt	3,702,554	3,225,948	3,092,862
Restricted (Note 6)	65,123	65,123	65,124
Unrestricted	<u>9,510,774</u>	<u>10,092,581</u>	<u>8,689,153</u>
Total Net Assets	<u>13,278,451</u>	<u>13,383,652</u>	<u>11,847,139</u>
Total Liabilities and Net Assets	<u>\$ 14,710,151</u>	<u>\$ 14,532,326</u>	<u>\$ 13,448,227</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 YEARS ENDED MARCH 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues			
Net patient service revenue (Note 10)	\$ 9,268,160	\$ 10,004,728	\$ 9,866,862
Sales tax	1,115,004	1,349,920	931,043
Non capital grants	-0-	8,512	8,500
Other operating revenue	<u>49,045</u>	<u>87,591</u>	<u>62,734</u>
Total Revenues	<u>10,432,209</u>	<u>11,450,751</u>	<u>10,869,139</u>
Expenses			
Salaries	5,150,830	5,007,431	4,602,467
Benefits and payroll taxes	933,551	781,170	688,954
Supplies and drugs	1,040,561	1,014,287	1,092,301
Professional fees	1,440,481	1,400,886	1,280,187
Other expenses	1,198,667	1,100,263	1,065,656
Insurance	267,087	273,921	263,714
Depreciation and amortization	<u>662,884</u>	<u>518,727</u>	<u>448,131</u>
Total Expenses	<u>10,694,061</u>	<u>10,096,685</u>	<u>9,441,410</u>
Operating Income (Loss)	(261,852)	1,354,066	1,427,729
Nonoperating Income (Loss)			
Interest income	147,361	196,320	242,478
Interest expense	(10,415)	(20,677)	(27,170)
Gain (loss) on disposal of assets	<u>-0-</u>	<u>(2,371)</u>	<u>30</u>
Excess of Revenues (Expenses) before Capital Grants	(124,906)	1,527,338	1,643,067
Capital grants	<u>19,705</u>	<u>9,175</u>	<u>95,000</u>
Increase (Decrease) in Net Assets	<u>(105,201)</u>	<u>1,536,513</u>	<u>1,738,067</u>
Beginning Net Assets	<u>13,383,652</u>	<u>11,847,139</u>	<u>10,109,072</u>
Ending Net Assets	<u>\$ 13,278,451</u>	<u>\$ 13,383,652</u>	<u>\$ 11,847,139</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 8,414,274	\$ 9,845,222	\$ 9,422,629
Other receipts from operations	1,164,049	1,446,023	1,002,277
Cash payments for other operating expenses	(3,598,641)	(3,845,024)	(3,780,347)
Cash payments to employees and for employee-related costs	<u>(5,977,418)</u>	<u>(5,726,371)</u>	<u>(5,242,751)</u>
Net cash provided (used) by operating activities	<u>2,264</u>	<u>1,719,850</u>	<u>1,401,808</u>
Cash flows (to) from investing activities:			
Interest income	147,361	196,320	242,478
Loans made to physicians	-0-	-0-	(165,898)
Payments received from physician loans	-0-	58,251	77,635
Amortization of physician loans	62,655	-0-	-0-
Cash invested in certificates of deposit	<u>(132,893)</u>	<u>(533,180)</u>	<u>(903,135)</u>
Net cash provided (used) by investing activities	<u>77,123</u>	<u>(278,609)</u>	<u>(748,920)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(140,187)	(155,653)	(137,163)
Interest expense	(10,415)	(20,677)	(27,170)
Proceeds from capital grants	19,705	9,175	95,000
Proceeds from sale of capital assets	-0-	8,621	30
Acquisition of capital assets	<u>(938,121)</u>	<u>(507,151)</u>	<u>(391,841)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,069,018)</u>	<u>(665,685)</u>	<u>(461,144)</u>
Net increase (decrease) in cash and cash equivalents	(989,631)	775,556	191,744
Beginning cash and cash equivalents	<u>1,628,100</u>	<u>852,544</u>	<u>660,800</u>
Ending cash and cash equivalents	\$ <u>638,469</u>	\$ <u>1,628,100</u>	\$ <u>852,544</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 STATEMENTS OF CASH FLOWS (Continued)
 YEARS ENDED MARCH 31,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>10,415</u>	\$ <u>20,677</u>	\$ <u>27,170</u>
Equipment acquired through capital lease agreement	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>205,664</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (261,852)	\$ 1,354,066	\$ 1,427,729
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	601,702	518,727	448,131
Change in current assets (increase) decrease			
Patient accounts receivable, net	(704,767)	671,408	(591,699)
Estimated third-party payor settlements	(69,905)	(481,350)	188,081
Inventory	36,221	(39,999)	(12,809)
Prepays	(22,348)	(6,241)	(16,367)
Change in current liabilities (increase) decrease			
Accounts payable	395,464	(9,427)	(49,313)
Accrued expenses	106,963	62,230	48,670
Deferred revenue	(73,206)	(6,986)	(54,378)
Estimated third-party payor settlements	<u>(6,008)</u>	<u>(342,578)</u>	<u>13,763</u>
Net cash provided (used) by operating activities	\$ <u>2,264</u>	\$ <u>1,719,850</u>	\$ <u>1,401,808</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Caldwell Parish Hospital Service District No. 1 (the "Hospital" or the "District") was created by an ordinance of the Caldwell Parish Police Jury. The District is comprised of and embraces the territory contained within the Parish of Caldwell, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Caldwell Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Caldwell Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Caldwell Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Caldwell Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, rural health clinic, skilled nursing (through "swing-beds"), and acute inpatient services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guidance set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of ninety (90) days or less. Certificates of deposit with original maturities of ninety (90) days to one (1) year are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to Caldwell Parish residents and grants credit to patients substantially all of whom are local residents.

The District's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are currently credited or charged to nonoperating revenue.

Net Assets

Net assets of the Hospital are classified in four components. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Restricted nonexpendable net assets equal the principal portion of permanent endowments. The Hospital has no nonexpendable net assets at this time. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Operating revenue also includes sales taxes passed to provide the Hospital with revenue to operate and maintain the Hospital. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

From time to time, the Hospital receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

As of March 31, 2011, the balances reported by financial institutions for cash totaled \$7,240,783. Of the total, \$752,513 was covered by federal depository insurance and \$6,488,270 was collateralized with securities held by the pledging bank in the District's name.

As of March 31, 2010, the balances reported by financial institutions for cash totaled \$8,128,765. Of the total, \$507,280 was covered by federal depository insurance and \$7,621,485 was collateralized with securities held by the pledging bank in the District's name.

As of March 31, 2009, the balances reported by financial institutions for cash totaled \$8,302,874. Of the total, \$685,368 was covered by federal depository insurance and \$7,617,506 was collateralized with securities held by the pledging bank in the District's name.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
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 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at March 31, 2011, 2010, and 2009.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Certificates of deposits with original maturities of over one (1) year are classified as long-term investments. The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Carrying amount			
Deposits	\$ 321,778	\$ 1,218,224	\$ 190,620
Investments	<u>6,839,538</u>	<u>6,799,830</u>	<u>6,518,699</u>
	<u>\$ 7,161,316</u>	<u>\$ 8,018,054</u>	<u>\$ 6,709,319</u>
Included in the following balance sheet captions			
Current assets			
Cash and cash equivalents	\$ 638,469	\$ 1,628,100	\$ 852,544
Short-term investments	5,566,525	5,350,581	4,361,489
Noncurrent cash and investments			
Long-term investments	891,199	974,250	1,430,162
Held for debt service	<u>65,123</u>	<u>65,123</u>	<u>65,124</u>
	<u>\$ 7,161,316</u>	<u>\$ 8,018,054</u>	<u>\$ 6,709,319</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at March 31 is presented below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Patient accounts receivable	\$ 3,756,096	\$ 5,955,368	\$ 10,655,567
Other accounts receivable	147,057	30,348	88,557
	<u>3,903,153</u>	<u>5,985,716</u>	<u>10,744,124</u>
Estimated uncollectibles	<u>(1,388,670)</u>	<u>(4,176,000)</u>	<u>(8,263,000)</u>
Net patient accounts receivable	\$ <u>2,514,483</u>	\$ <u>1,809,716</u>	\$ <u>2,481,124</u>

The following is a mix of gross accounts receivables from patients and third-party payors at March 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Medicare	39%	21%	25%
Medicaid	21%	8%	7%
Commercial and other third-party payors	25%	20%	9%
Patients	<u>15%</u>	<u>51%</u>	<u>59%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation at March 31:

	<u>2010</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2011</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	50,429	-0-	-0-	50,429
Buildings	4,796,069	96,042	-0-	4,892,111
Furniture and equipment	2,618,627	778,117	-0-	3,396,744
Property held under capital leases	1,096,359	-0-	-0-	1,096,359
Construction in progress	<u>68,036</u>	<u>823,089</u>	<u>759,127</u>	<u>131,998</u>
Total	8,656,423	1,697,248	759,127	9,594,544
Accumulated depreciation	<u>5,187,151</u>	<u>601,702</u>	<u>-0-</u>	<u>5,788,853</u>
Net	\$ <u>3,469,272</u>	\$ <u>1,095,546</u>	\$ <u>759,127</u>	\$ <u>3,805,691</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 5 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets and related accumulated depreciation at March 31:

	<u>2009</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2010</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	30,437	19,992	-0-	50,429
Buildings	4,771,786	24,283	-0-	4,796,069
Furniture and equipment	2,656,007	394,840	432,220	2,618,627
Property held under capital leases	1,096,359	-0-	-0-	1,096,359
Construction in progress	<u>-0-</u>	<u>68,036</u>	<u>-0-</u>	<u>68,036</u>
 Total	 8,581,492	 507,151	 432,220	 8,656,423
Accumulated depreciation	<u>5,089,653</u>	<u>518,727</u>	<u>421,229</u>	<u>5,187,151</u>
 Net	 \$ <u>3,491,839</u>	 \$ <u>(11,576)</u>	 \$ <u>10,991</u>	 \$ <u>3,469,272</u>

The following is a summary of capital assets and related accumulated depreciation at March 31:

	<u>2008</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2009</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	30,437	-0-	-0-	30,437
Buildings	4,543,256	228,530	-0-	4,771,786
Furniture and equipment	2,492,696	163,311	-0-	2,656,007
Property held under capital leases	<u>890,695</u>	<u>205,664</u>	<u>-0-</u>	<u>1,096,359</u>
 Total	 7,983,987	 597,505	 -0-	 8,581,492
Accumulated depreciation	<u>4,641,522</u>	<u>448,131</u>	<u>-0-</u>	<u>5,089,653</u>
 Net	 \$ <u>3,342,465</u>	 \$ <u>149,374</u>	 \$ <u>-0-</u>	 \$ <u>3,491,839</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 6 - ASSETS LIMITED AS TO USE

The following assets are limited as to use as designated below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Restricted by third-parties</u>			
Bond sinking fund	\$ <u>65,123</u>	\$ <u>65,123</u>	\$ <u>65,124</u>
Total assets limited as to use	\$ <u>65,123</u>	\$ <u>65,123</u>	\$ <u>65,124</u>

NOTE 7 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off depending on length of service. The Hospital accrued \$264,167, \$246,234, and \$204,755 of vacation pay at March 31, 2011, 2010, and 2009. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations, at March 31, follows:

	<u>March 31,</u> <u>2010</u>	<u>Additions</u>	<u>Payments</u>	<u>March 31,</u> <u>2011</u>	<u>Due Within</u> <u>One Year</u>
Capital lease obligations	\$ <u>243,324</u>	\$ <u>-0-</u>	\$ <u>140,187</u>	\$ <u>103,137</u>	\$ <u>42,561</u>
	<u>March 31,</u> <u>2009</u>	<u>Additions</u>	<u>Payments</u>	<u>March 31,</u> <u>2010</u>	<u>Due Within</u> <u>One Year</u>
Capital lease obligations	\$ <u>398,977</u>	\$ <u>-0-</u>	\$ <u>155,653</u>	\$ <u>243,324</u>	\$ <u>136,746</u>
	<u>March 31,</u> <u>2008</u>	<u>Additions</u>	<u>Payments</u>	<u>March 31,</u> <u>2009</u>	<u>Due Within</u> <u>One Year</u>
Capital lease obligations	\$ <u>330,476</u>	\$ <u>205,664</u>	\$ <u>137,163</u>	\$ <u>398,977</u>	\$ <u>152,399</u>

The following are the terms and due dates of the Hospital's long-term debt at March 31:

- Various capital lease obligations at interest rates ranging from 5.23% to 12.00%, due in monthly installments through 2014 secured by leased equipment.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
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 HOSPITAL ENTERPRISE FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 8 - LONG-TERM DEBT (Continued)

Minimum future lease payments under capital leases at March 31, 2011, and for each subsequent year in aggregate are provided below:

<u>Years Ending March 31,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 42,561	\$ 4,695
2013	45,006	2,249
2014	<u>15,570</u>	<u>182</u>
Total	\$ <u>103,137</u>	\$ <u>7,126</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$135,196 is included in depreciation expense. Net book value of capital leases is \$107,818, \$248,795, and \$407,612, in 2011, 2010, and 2009, respectively.

NOTE 9 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2011, that have initial or remaining lease terms in excess of one year.

<u>March 31,</u>	<u>Amount</u>
2011	\$ <u>3,723</u>
Total minimum lease payments	\$ <u>3,723</u>

NOTE 10 - PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital is classified as a Medicare Dependent Hospital and has received \$560,502, \$635,807, and \$810,725 in additional reimbursement in 2011, 2010, and 2009. This

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
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 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 10 - PATIENT SERVICE REVENUE (Continued)

classification and related additional reimbursement expires for discharges on and after October 01, 2012, without change in Medicare law. Certain outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis, with a hold harmless provision for partial cost reimbursement for some of these services until December 31, 2012, if not extended by Congress. The hold harmless payments were \$187,065, \$146,678, and \$79,693, for the years ended March 31, 2011, 2010, and 2009, respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

The following is a summary of the Hospital's net patient service revenue for the years ended March 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gross patient service charges	\$ 17,216,838	\$ 16,917,099	\$ 16,972,580
Contractual adjustments	(6,211,470)	(5,005,918)	(6,269,647)
Provision for bad debts	(1,553,859)	(1,530,501)	(1,031,512)
Uncompensated cost reimbursement	338,764	638,571	728,181
Policy discounts and charity care (Note 14)	<u>(522,113)</u>	<u>(1,014,523)</u>	<u>(532,740)</u>
 Net Patient Service Revenues	 \$ <u>9,268,160</u>	 \$ <u>10,004,728</u>	 \$ <u>9,866,862</u>

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 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 10 - PATIENT SERVICE REVENUE (Continued)

The Hospital receives a substantial portion of its revenue from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended March 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Medicare and Medicaid gross patient charges	\$ 11,023,799	\$ 10,587,181	\$ 11,821,737
Contractual adjustments	<u>4,665,868</u>	<u>3,487,355</u>	<u>4,819,071</u>
 Program Patient Service Revenue without Medicaid UCC	 \$ <u>6,357,931</u>	 \$ <u>7,099,826</u>	 \$ <u>7,002,666</u>
 Percent of total gross patient charges	 <u>64%</u>	 <u>63%</u>	 <u>70%</u>
Percent of total net patient revenue	<u>69%</u>	<u>71%</u>	<u>71%</u>

The Hospital received interim amounts of \$338,764, \$638,571, and \$728,181, for Medicaid and self-pay uncompensated care services (UCC) for the years ended March 31, 2011, 2010, and 2009, respectively, which represents 4%, 6%, and 7%, of net patient service revenue, respectively. The interim payments received are based upon uncompensated cost incurred in previous years. Current regulations limit UCC to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. The federal definition of UCC changed effective July 1, 2010, which reduced income in 2011 and for future years. Management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. Future UCC payments are dependent upon State appropriations, which require annual approval by the State legislature. Should the State not fund or substantially change this program, it would have a significant impact on the Hospital's revenue.

NOTE 11 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Hospital is committed to Healthland, Inc. for the remaining portion of the purchase price of the new computer system in the amount of \$192,550, due June 2011.

HOSPITAL SERVICE DISTRICT NO. 1
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YEARS ENDED MARCH 31, 2011, 2010, AND 2009

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 10) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 11) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Hospital's insurance carrier.

The Hospital also participates in the Louisiana Hospital Association Self-Insurance Employee Benefits Trust Fund. If the fund's assets are not adequate to cover the claims made against it, the Hospital will be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$35,000 or aggregate claims exceeding \$1,000,000 per year.

HOSPITAL SERVICE DISTRICT NO. 1
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NOTE 13 - RETIREMENT PLAN

Effective January 1, 2008, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to contribute to the plan the first quarter after completing ninety (90) days of employment and reaching the age of 21. Employees are immediately 100% vested on contributions to the plan through a salary reduction agreement. In fiscal year 2011, 2010, and 2009, employees contributed \$190,479, \$156,553, and \$196,149, respectively.

Effective January 1, 2008, the Hospital began sponsoring a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). After one year of employment, the Hospital will contribute a 1% discretionary match of all participating eligible employees' salaries per pay period. In addition to this discretionary match, the Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for participating employees. The employee will be 100% vested after participating for three years. In fiscal year 2011, 2010, and 2009, the Hospital contributed \$160,603, \$156,476, and \$161,980, respectively.

Security Benefit administers the above plans. The Board of Commissioners adopted these plans and may change the terms of the plan to improve administration and can, at their discretion, increase or decrease the contribution percentages.

NOTE 14 - CHARITY CARE

The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated approximately \$186,431, \$369,611, and \$285,527, in 2011, 2010, and 2009, respectively. The costs related to the charity care charges are \$115,496, \$220,108, and \$158,616, in 2011, 2010, and 2009, respectively.

NOTE 15 - SUBSEQUENT EVENT

Events have been evaluated through September 21, 2011, for subsequent event disclosure. This date is the date the financial statements were available to be issued. The Hospital entered into a contract to purchase a generator for \$285,000 after year end.

NOTE 16 - COMMISSIONERS

The following commissioners served Citizens Medical Center without compensation during the year ended March 31, 2011:

Ms. Barbara Davis
Mr. Tom D. Gay
Ms. Mary Norris
Mr. E. L. Richard
Mr. Bob Wallace

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED MARCH 31, 2011, 2010, AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Routine Services:			
Adult and pediatric	\$ 863,700	\$ 817,541	\$ 1,019,676
Swing bed	<u>17,400</u>	<u>20,700</u>	<u>61,200</u>
Total Routine Services	<u>881,100</u>	<u>838,241</u>	<u>1,080,876</u>
Other Professional Services:			
Operating room			
Inpatient	129,759	163,118	219,734
Outpatient	<u>483,916</u>	<u>606,604</u>	<u>575,557</u>
Total	<u>613,675</u>	<u>769,722</u>	<u>795,291</u>
Anesthesia			
Inpatient	68,960	86,425	113,525
Outpatient	<u>252,740</u>	<u>280,650</u>	<u>301,880</u>
Total	<u>321,700</u>	<u>367,075</u>	<u>415,405</u>
Radiology			
Inpatient	505,040	511,677	546,589
Outpatient	<u>2,470,420</u>	<u>2,583,074</u>	<u>2,110,445</u>
Total	<u>2,975,460</u>	<u>3,094,751</u>	<u>2,657,034</u>
Laboratory			
Inpatient	700,582	614,074	718,707
Outpatient	<u>2,695,417</u>	<u>2,614,215</u>	<u>2,434,066</u>
Total	<u>3,395,999</u>	<u>3,228,289</u>	<u>3,152,773</u>
IV solutions			
Inpatient	174,644	195,248	201,125
Outpatient	<u>48,849</u>	<u>57,295</u>	<u>56,313</u>
Total	<u>\$ 223,493</u>	<u>\$ 252,543</u>	<u>\$ 257,438</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31, 2011, 2010, AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Respiratory therapy			
Inpatient	\$ 823,197	\$ 637,209	\$ 882,635
Outpatient	<u>130,688</u>	<u>185,985</u>	<u>201,314</u>
Total	<u>953,885</u>	<u>823,194</u>	<u>1,083,949</u>
EKG			
Inpatient	64,064	64,266	87,985
Outpatient	<u>209,149</u>	<u>213,550</u>	<u>228,043</u>
Total	<u>273,213</u>	<u>277,816</u>	<u>316,028</u>
Central supply			
Inpatient	468,962	530,576	640,582
Outpatient	<u>619,040</u>	<u>727,618</u>	<u>730,917</u>
Total	<u>1,088,002</u>	<u>1,258,194</u>	<u>1,371,499</u>
Pharmacy			
Inpatient	1,182,141	1,087,845	1,556,192
Outpatient	<u>552,629</u>	<u>556,781</u>	<u>579,099</u>
Total	<u>1,734,770</u>	<u>1,644,626</u>	<u>2,135,291</u>
Emergency room			
Inpatient	171,673	113,495	121,764
Outpatient	<u>1,886,565</u>	<u>1,428,045</u>	<u>1,276,052</u>
Total	<u>2,058,238</u>	<u>1,541,540</u>	<u>1,397,816</u>
Observation room			
Inpatient	9,278	9,568	5,278
Outpatient	<u>44,771</u>	<u>38,888</u>	<u>38,933</u>
Total	<u>\$ 54,049</u>	<u>\$ 48,456</u>	<u>\$ 44,211</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Rural health clinic Outpatient	\$ <u>2,560,434</u>	\$ <u>2,720,767</u>	\$ <u>2,182,994</u>
Hospitalist Inpatient	<u>82,820</u>	<u>51,885</u>	<u>81,975</u>
Total Other Professional Services	<u>16,335,738</u>	<u>16,078,858</u>	<u>15,891,704</u>
Gross Patient Service Charges	<u>17,216,838</u>	<u>16,917,099</u>	<u>16,972,580</u>
Contractual allowances	6,211,470	5,005,918	6,269,647
Provision for bad debts	1,553,859	1,530,501	1,031,512
Uncompensated cost reimbursement	(338,764)	(638,571)	(728,181)
Policy discounts and charity care	<u>522,113</u>	<u>1,014,523</u>	<u>532,740</u>
Total Allowances and Uncollectibles	<u>7,948,678</u>	<u>6,912,371</u>	<u>7,105,718</u>
Net Patient Service Revenue	\$ <u>9,268,160</u>	\$ <u>10,004,728</u>	\$ <u>9,866,862</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OTHER OPERATING REVENUE
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cafeteria sales	\$ 17,983	\$ 23,804	\$ 26,539
Physician office rentals	9,000	9,000	8,250
Medical records abstract fees	4,685	3,964	2,851
Miscellaneous	<u>17,377</u>	<u>50,823</u>	<u>25,094</u>
 Total Other Operating Revenue	 \$ <u>49,045</u>	 \$ <u>87,591</u>	 \$ <u>62,734</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Administrative and general	\$ 504,538	\$ 471,274	\$ 412,159
Plant operations and maintenance	95,333	96,776	92,317
Housekeeping	190,391	180,064	148,086
Dietary and cafeteria	159,123	157,858	140,307
Central supply	36,184	34,603	30,504
Pharmacy	162,979	156,038	162,240
Medical records	109,880	104,278	93,302
Nursing services	1,040,075	994,022	1,078,756
Operating room	205,797	204,681	171,273
Anesthesiology	2,400	2,400	2,400
Radiology	315,093	272,884	250,750
Laboratory	443,130	408,821	378,611
Respiratory care	133,922	130,986	128,066
Emergency room	323,165	295,271	208,730
Rural health clinic	<u>1,428,820</u>	<u>1,497,475</u>	<u>1,304,966</u>
Total Salaries	<u>5,150,830</u>	<u>5,007,431</u>	<u>4,602,467</u>
Payroll taxes	356,639	348,116	318,839
Health insurance	416,310	276,578	208,135
Retirement	<u>160,602</u>	<u>156,476</u>	<u>161,980</u>
Total Benefits	<u>933,551</u>	<u>781,170</u>	<u>688,954</u>
Total Salaries and Benefits	<u>\$ 6,084,381</u>	<u>\$ 5,788,601</u>	<u>\$ 5,291,421</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Nursing service	\$ 6,500	\$ 34,084	\$ 6,542
Anesthesiology	207,289	234,005	253,100
Radiology	109,550	124,526	65,748
Laboratory	160,922	153,499	135,483
EKG	18,384	16,740	18,346
Emergency room	<u>937,836</u>	<u>838,032</u>	<u>800,968</u>
 Total Professional Fees	 \$ <u>1,440,481</u>	 \$ <u>1,400,886</u>	 \$ <u>1,280,187</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OPERATING EXPENSES, - OTHER EXPENSES
 YEARS ENDED MARCH 31, 2011, 2010, AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Miscellaneous service fees	\$ 100,042	\$ 110,961	\$ 123,430
Legal and accounting	97,980	81,284	58,948
Supplies	348,667	311,127	281,988
Repairs and maintenance	177,231	161,045	164,429
Utilities	170,337	151,459	172,046
Telephone	71,667	67,796	65,605
Travel	15,506	12,481	10,699
Rentals	29,420	24,273	22,025
Education	6,185	7,636	15,601
Dues and subscriptions	120,540	108,285	98,434
Recruitment and advertising	14,903	17,496	20,438
Miscellaneous	<u>46,189</u>	<u>46,420</u>	<u>32,013</u>
 Total Other Expenses	 \$ <u>1,198,667</u>	 \$ <u>1,100,263</u>	 \$ <u>1,065,656</u>



LESTER, MILLER & WELLS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

We have audited the financial statements of Hospital Service District No. 1, Parish of Caldwell, a component unit of the Caldwell Parish Police Jury, ("the Hospital") as of and for the years ended March 31, 2011, 2010, and 2009 and have issued our report thereon dated September 21, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and that we consider to be significant deficiencies in internal control over financial reporting: 2011-1, 2011-2, 2011-3, 2011-4, 2011-5, and 2011-6. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and no other matters that are required to be reported under Government Auditing Standards.

The Hospital's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Hospital's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Lester, Miller & Wells
Certified Public Accountants

Alexandria, Louisiana
September 21, 2011



HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2011

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified – No
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

Federal Awards – Not applicable

Section II. Financial Statement Findings

FINDING 2011-1 - Allowances

Finding: Contractual allowances were underestimated due to delays in billing relating to a large number of Medicare and Medicaid claims. This was partially due to the problems inherent in the computer conversion the Hospital performed during the year.

Recommendation: Timely training and supervision of personnel are crucial to alleviate the continuing issues of the changeover in computer systems. Timely billing of accurate claims and follow up of unpaid claims should be done to increase cash flow.

Response: The computer system has been in place for several months and several outside computer issues have been eliminated. Personnel are learning the system and will continue to receive training and supervision. Issues are being addressed as they occur.

FINDING 2011-2 - Reconciliations

Finding: Some reconciliations of subsidiary ledgers are not being performed timely on a monthly basis. This can affect the accuracy of interim financial information.

Recommendation: We recommend performing timely monthly reconciliations of all subsidiary ledgers to the general ledger.

Response: All subsidiary ledgers will be reconciled timely on a monthly basis.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2011

Section II. Financial Statement Findings (Continued)

FINDING 2011-3 - Salary Accruals

Finding: Due to problems with the computer conversion, payroll accruals were inaccurate.

Recommendation: Management should review and reconcile payroll accruals monthly to verify correct posting by system is occurring.

Response: Management will review and reconcile payroll accruals on a monthly basis. The system problems that occurred during fiscal year 2011 have been addressed and corrected.

FINDING 2011-4 - Cost Report Settlements

Finding: The Hospital underreported income and receivables by not including an estimate for the current Medicare and Medicaid cost settlement in the amount of \$509,591.

Recommendation: An estimate of the Medicare and Medicaid cost report settlement should be made on a monthly basis.

Response: Continued issues with the computer conversion and limited staff will delay developing a model to estimate Medicare and Medicaid cost report receivables and payables.

FINDING 2011-5 - Financial Statements

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, SAS 112 now requires management to ensure propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary internally to complete the reporting requirements.

Recommendation: Management should either (a) obtain the resources necessary to internally prepare or review the auditors' preparation of the District's financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost overrides the benefit of correcting this control deficiency.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2011

Section II. Financial Statement Findings (Continued)

FINDING 2011-6 - Segregation of Duties

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

Section III. Federal Award Findings

Not applicable

Section IV. Management Letter

Not applicable

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2011

Section I. Financial Statement Findings

2010-1 - Cost Report Settlements

Fiscal Year Initially Reported: March 31, 2010

Finding: The Hospital underreported income and receivables by not including an estimate for Medicare and Medicaid cost settlement. The results from the Medicare and Medicaid cost report were receivables of \$493,787.

Recommendation: While it is difficult to calculate an accurate reimbursement in the interim for Medicare and Medicaid cost report receivables and payables, an estimate should be made to approximate the results at least on a monthly basis.

Response: Management will develop a model to estimate Medicare and Medicaid cost report receivables and payables and record the results.

Current Status: Not resolved - See finding 2011-4

2010-3 -Financial Statements

Fiscal Year Initially Reported: March 31, 2007

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 more definitively requires management ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements.

Recommendation: Management should either: (a) obtain the resources necessary to internally prepare or review the auditor's preparation of the Hospital's basic financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

Current Status: Not resolved - See finding 2011-5

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2011

Section I. Financial Statement Findings (Continued)

2010-4 - Segregation of Duties

Fiscal Year Initially Reported: March 31, 2007

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording, and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related asset; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

Current Status: Not resolved - See finding 2011-6

Section II. Federal Award Findings

Not applicable

Section III. Management Letter

Not applicable